

# *Annual Report 1949*

INTERSTATE DEPARTMENT STORES, INC.





# INTERSTATE DEPARTMENT STORES, INC.

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## DIRECTORS

ROBERT S. ADLER

RUSSELL P. BYGEL

SOL W. CANTOR

CHARLES E. FEDERMAN

PAOLINO GERLI

R. C. KRAMER

EATON B. LLOYD

HAROLD F. LINDER

BENJAMIN W. MAYER

ALBERT PARKER

HERBERT J. REEVES

HAROLD J. SZOLD

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## OFFICERS

*Chairman of the Board* ..... R. C. KRAMER

*President* ..... RUSSELL P. BYGEL

*Vice President* ..... SOL W. CANTOR

*Vice President* ..... EATON B. LLOYD

*Treasurer* ..... PAUL I. BERTRAM

*Secretary* ..... ALBERT PARKER

*Assistant Secretary* ..... EDWARD C. SCHENKEL

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*Transfer Agent* ..... BANK OF THE MANHATTAN COMPANY.. New York

*Registrar* ..... THE COMMERCIAL NATIONAL BANK AND  
TRUST COMPANY ..... New York

*General Counsel* ..... PARKER, CHAPIN AND FLATTAU..... New York

*Public Accountants* ..... S. D. LEIDESDORF & Co. .... New York

*Executive and General Offices*.. 111 EIGHTH AVENUE ..... New York

April 10, 1950.

*To the Stockholders of*

INTERSTATE DEPARTMENT STORES, INC.:

This is the report of Interstate Department Stores, Inc. and its subsidiaries for the fiscal year ended January 31, 1950. The year's operations and a comparison of those results with the previous fiscal year are summarized as follows:

	Fiscal Year Ended January 31, 1950	Fiscal Year Ended January 31, 1949
Sales .....	\$61,752,000	\$66,886,900
Earnings before Federal Income Tax .....	1,885,900	2,700,700
Provision for Federal In- come Tax .....	725,000	1,110,000
Net Earnings .....	1,160,900	1,590,700
Earnings per share com- mon stock .....	3.76	5.15
Dividends paid per share common stock .....	2.00	2.00
Stockholders' Equity per share common stock ...	35.13	33.38

**EARNINGS:** Earnings of \$1,160,000 after Federal Income Taxes or \$3.76 per share of common stock, were \$430,000 less than the previous year's earnings. The decrease in earnings resulted from lower dollar sales and abnormally high losses caused by the decline in prices, particularly of textiles, during the first six months of the year.

Earnings for the past five years have been as follows:

Fiscal Year Ended January 31	Earnings Before Federal Income Tax	Provision For Federal Income Tax	Earnings After Federal Income Tax
1950	\$1,885,900	\$ 725,000	\$1,160,900
1949	2,700,700	1,110,000	1,590,700
1948	2,388,000	961,000	1,427,000
1947	2,460,100	1,050,000	1,410,100
1946	2,972,700	1,917,000	1,055,700

**SALES:** Sales decreased \$5,100,000 or 7.7% from the preceding year. This decrease was due principally to the elimination of \$1,500,000 of the sales volume of two stores which had been closed early in the year and to the decline in prices,



which, in turn, reduced the average amount of each sale. However, the number of customer purchases increased 3% for the year.

Consolidated sales for the past five years have been as follows:

<u>Fiscal Year Ended</u>	<u>Owned Departments</u>	<u>Leased Departments</u>	<u>Total</u>
1950	\$52,015,800	\$9,736,200	\$61,752,000
1949	57,179,300	9,707,600	66,886,900
1948	52,893,500	9,920,400	62,813,900
1947	46,502,700	5,817,300	52,320,000
1946	38,995,700	5,331,900	44,327,600

Total owned department sales decreased while sales in departments leased to others increased slightly last year. This apparent difference in trend was due to the fact that a department formerly operated by the Company was leased to others for operation, and because new departments were added to certain stores and leased to others for operation.

Sales will be adversely affected to the extent of \$550,000 in 1950 because the Company discontinued a leased grocery department on December 31, 1949. The discontinuance of this department will have no significant effect on earnings.

**DIVIDENDS:** Four quarterly dividends of 50¢ each for a total of \$2.00 per share of common stock were paid during the year, which was the same amount paid in the two preceding years. The regular quarterly dividend of 50¢ per share for the first quarter of the current fiscal year will be paid on April 14th.

**WORKING CAPITAL:** Net working capital at year end was \$11,900,000, an increase of \$500,000 over the previous year.

The principal change in the composition of the Company's working capital is the increase of \$1,400,000 in net accounts receivable, which arises from the sharp increase in sales made in various forms of installment buying. This increase in turn reflects the larger amount of sales made by your Company of "hard lines", i.e., electrical refrigerators and other major appliances, television sets, furniture and other similar items.

The Company's credit experience with installment accounts receivables thus far has been satisfactory. Nevertheless, the Company continues to follow a cautious policy in regard to the valuation of its accounts receivable and at year end carried a reserve of \$618,000 against these accounts.

Inventories declined \$320,000 or 3.4% and are in good condition.

**LONG TERM DEBT:** Long term debt decreased \$77,000. Repayments to Banks and to Insurance Companies were partially offset by the amounts realized from mortgages placed on two store buildings that were acquired in 1948.



**FIXED ASSETS:** Net fixed assets increased \$320,000. Your Company continued to spend sizeable sums of money on the physical improvement of its stores, \$800,000 having been expended for capital store improvements and \$400,000 for current maintenance.

Depreciation and amortization in 1949 increased by \$107,000 to the amount of \$500,000. It is expected that in 1950 cash outlays for permanent improvement of the Company's present stores will not be substantially greater than depreciation and amortization accruals.

**STORES OPENED AND CLOSED:** A store was opened in Huntington, Indiana in March, 1949 and a small store in Niles, Michigan was closed in April, 1949. The Company is looking for opportunities to open additional stores and it will do so as opportunities are presented that give promise of profitable operation.

**ASSET VALUE OF COMMON STOCK:** The net asset value of the common stock of the Company as shown by its balance sheet was \$35.13 per share at year end. The net asset value, earnings and dividends per share of common stock for the past five years has been as follows:

<u>As at January 31</u>	<u>Asset Value Per Share</u>	<u>Earnings Per Share</u>	<u>Dividends Per Share</u>
1950	\$35.13	\$ 3.76	\$ 2.00
1949	33.38	5.15	2.00
1948	30.23	4.62	2.00
1947	27.61	4.56	1.70
1946	24.74	3.42	1.40

**OUTLOOK:** Retail sales during the first six months of the current year are not expected to decline much, if any, below 1949 levels. Prices are lower than last Spring's sales prices and, therefore, a further increase in customer sales will have to be made to equal last year's sales dollar volume.

While some fluctuations in price of goods purchased will continue, it is not expected that there will be a recurrence of the wide breaks in prices experienced last Spring which contributed to the Company's lower earnings.

The principal opportunity for your Company is constantly to improve its operations so as to secure at a low cost an increasing share of the type of desirable retail business which is available in its communities. Much study has been given to this problem and many experiments have been undertaken in this past year which show promise of achieving this aim.

**AMENDMENTS TO CERTIFICATE OF INCORPORATION:** The Board of Directors has proposed two amendments to the Certificate of Incorporation to be voted upon at the Annual Meeting. One is to increase the number of authorized shares of common stock from 320,000 to 500,000. This would provide the Company with additional stock that could be used for various corporate purposes such as acquisitions of additional units, further capital financing and stock dividends. Although the Company has no intention at the present time of issuing or selling any additional stock, it is thought advisable to have the stock available for such purposes.

The second proposed amendment would make the unissued shares of the common stock more readily available for issuance by eliminating the legal necessity of offering to stockholders the right to subscribe for any new or additional issue of the Company's securities before issuance to others. The adoption of this amendment will not prevent giving stockholders the first opportunity to subscribe for any securities which may hereafter be offered if in the judgment of the Board of Directors that is deemed to be in the best interests of the Company and the stockholders.

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Your Directors express their appreciation to the 3000 employees of the Company and its subsidiaries for their fine cooperation in a year that presented many difficulties and for their continuous efforts to improve further the Company's operations.

For the Board of Directors,

R. C. KRAMER  
*Chairman*

RUSSELL P. BYGEL  
*President*



INTERSTATE DEPARTMENT  
AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET

ASSETS

	<u>1950</u>	<u>1949*</u>
<b>CURRENT ASSETS:</b>		
Cash on hand and in banks .....	\$ 1,382,168	\$ 1,619,159
United States Treasury savings notes —at cost, plus accrued interest....	—	61,684
Accounts receivable:		
Customers (Note A) .....	\$ 5,320,033	\$ 3,741,893
Less: Reserves (Note A) .....	617,920	454,829
Other .....	389,849	477,465
Merchandise inventories (Note B) ..	9,193,624	9,515,296
Total Current Assets .....	15,667,754	14,960,668
MISCELLANEOUS OTHER ASSETS .....	53,925	245,763
<b>FIXED ASSETS—at cost:</b>		
Land and buildings (subject to mortgages per contra) .....	381,378	381,087
Less: Reserves for depreciation	20,793	10,131
	360,585	370,956
Furniture and equipment .....	2,841,534	2,461,366
Less: Reserves for depreciation	1,030,617	835,933
	1,810,917	1,625,433
Leaseholds and leasehold improvements .....	1,443,360	1,103,534
Less: Reserves for amortization	576,585	380,158
	866,775	723,376
DEFERRED CHARGES .....	303,521	427,466
	\$19,063,477	\$18,353,662

\* Reclassified for comparison

The Notes to Financial Statements are an integral part of



## RY COMPANIES

## LIABILITIES

comparative purposes.

this statement and should be read in conjunction herewith.

# INTERSTATE DEPARTMENT STORES, INC.

## AND SUBSIDIARY COMPANIES

### CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED JANUARY 31, 1950 - 1949

	1950	1949*
NET SALES:		
Owned departments .....	\$52,015,800	\$57,179,350
Leased departments .....	9,736,279	9,707,644
	<u>61,752,079</u>	<u>66,886,994</u>
COST OF SALES, operating and administrative expenses, including depreciation and amortization of \$495,935 for 1950 and \$388,986 for 1949	59,845,852	64,141,839
	<u>1,906,227</u>	<u>2,745,155</u>
OTHER INCOME, NET .....	144,833	92,740
	<u>2,051,060</u>	<u>2,837,895</u>
INTEREST PAID .....	165,138	137,195
	<u>1,885,922</u>	<u>2,700,700</u>
NET EARNINGS FOR THE YEAR BEFORE FEDERAL INCOME TAXES .....	725,000	1,110,000
PROVISION FOR FEDERAL INCOME TAXES .....		
NET EARNINGS FOR THE YEAR .....	<u>\$ 1,160,922</u>	<u>\$ 1,590,700</u>

### CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY FOR THE YEAR ENDED JANUARY 31, 1950 - 1949

	1950	1949*
EARNINGS PREVIOUSLY RETAINED IN THE BUSINESS (EARNED SURPLUS) .....	\$ 6,815,020	\$ 5,842,212
NET EARNINGS FOR THE YEAR .....	1,160,922	1,590,700
	<u>7,975,942</u>	<u>7,432,912</u>
CASH DIVIDENDS PAID .....	617,892	617,892
	<u>7,358,050</u>	<u>6,815,020</u>
EARNINGS RETAINED FOR USE IN THE BUSINESS AS AT THE END OF THE YEAR .....	1,915,949	1,915,949
CAPITAL SURPLUS .....		
COMMON STOCK—without par value:		
Authorized .....	320,000 shares	
Issued and outstanding .....	308,946 shares	
	<u>1,580,252</u>	<u>1,580,252</u>
STOCKHOLDERS' EQUITY (Note C) .....	<u>\$10,854,251</u>	<u>\$10,311,221</u>

\* Reclassified for comparative purposes.

The Notes to Financial Statements are an integral part of these statements and should be read in conjunction herewith.



**INTERSTATE DEPARTMENT STORES, INC.**  
**AND SUBSIDIARY COMPANIES**

**NOTES TO FINANCIAL STATEMENTS**  
**AS AT JANUARY 31, 1950**

NOTE A—As at February 1, 1949, accounts receivable—customers aggregating \$104,597 previously written off as doubtful were reinstated, a reserve in full being provided. As similar accounts at January 31, 1950, fully reserved, are included as at that date, the accounts receivable—customers and reserves as at January 31, 1949, shown for comparative purposes only, have been adjusted to include the accounts reinstated and the reserves provided as at February 1, 1949.

NOTE B—Merchandise inventories as at January 31, 1950, which include merchandise in transit in the amount of \$978,622, are stated on the following bases which are consistent with those used in the preceding year:

At Stores —At the lower of cost or market, as calculated by the retail method of inventory valuation, after provision for markdowns based on age of merchandise.

At Warehouses—At the lower of cost (substantially on the "first-in, first-out" basis) or replacement market.

In Transit —At specific invoice cost.

NOTE C—Notes payable as at January 31, 1950 are due to:

Banks .....	\$1,300,000
Insurance Company .....	2,850,000
	<u>\$4,150,000</u>

The bank term loan agreement requires amortization payments as follows: \$200,000 in each of the years 1952 through 1954 inclusive and the balance of \$700,000 at maturity of the bank notes on August 27, 1955. The payments due August 27, 1950 and 1951 were paid in advance, with the result that no installment is due until 1952.

The loan agreement with an insurance company requires amortization payments as follows: \$75,000 per annum until 1955, \$200,000 per annum from 1956 through 1958, \$325,000 in 1959, \$350,000 per annum from 1960 through 1962, and \$500,000 in 1963. The payment due May 1, 1950 was paid in advance, with the result that no installment is due until 1951.

The insurance company loan agreement, as does the bank term loan agreement, contains restrictions on the right of the Company to declare dividends (other than stock dividends), including a requirement that the Company have certain ratios (of consolidated net current assets and of consolidated net tangible assets to consolidated funded debt) after payment of such dividends. As at January 31, 1950, \$1,815,838 of the Company's surplus (\$9,273,999) was not subject to the dividend restrictions contained in the loan agreements.

NOTE D—At January 31, 1950, the minimum annual rentals upon property leased to the Company and/or to its subsidiary companies under 60 leases expiring after January 31, 1953, amount to approximately \$1,025,000, plus real estate taxes, insurance, etc.

GENERAL—The accompanying financial statements are subject to final determination of Federal, state and local taxes. Federal income tax returns have been examined through the fiscal year ended January 31, 1947 and all additional assessments thereon have been paid.

INTERSTATE DEPARTMENT STORES, INC.  
AND SUBSIDIARY COMPANIES

ACCOUNTANTS' REPORT

TO THE BOARD OF DIRECTORS

INTERSTATE DEPARTMENT STORES, INC.

New York, N. Y.

We have examined the consolidated balance sheet of Interstate Department Stores, Inc. and subsidiary companies as at January 31, 1950 and the related consolidated statements of earnings and stockholders' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and stockholders' equity, together with the notes to financial statements, present fairly the consolidated financial position of Interstate Department Stores, Inc. and subsidiary companies at January 31, 1950, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & Co.

New York, N. Y.

March 31, 1950



## LOCATION AND NAME OF STORES

### CONNECTICUT

New Haven ..... Stanley's

### ILLINOIS

Aurora ..... Aurora Dry Goods Co.  
 Belleville ..... Carroll House  
 Decatur ..... Decatur Dry Goods Co.  
 Peoria ..... Peoria Dry Goods Co.  
 Rockford ..... Rockford Dry Goods Co.  
 Springfield ..... Springfield Dry Goods Co.  
 Waukegan ..... Waukegan Dry Goods Co.

### INDIANA

Anderson ..... Hill's  
 Evansville ..... Economy Dept. Store  
 Evansville ..... Evansville Dry Goods Co.  
 Fort Wayne ..... Grand Leader  
 Huntington ..... Carroll House  
 Marion ..... Hill's  
 Muncie ..... Stillman's  
 South Bend ..... Grand Leader

### IOWA

Davenport ..... Hill's  
 Des Moines ..... Hill's

### KENTUCKY

Louisville ..... Jefferson Dry Goods Co.  
 Paducah ..... Paducah Dry Goods Co.

### MICHIGAN

Battle Creek ..... Grand Leader  
 Flint ..... The Fair  
 Jackson ..... Stillman's  
 Lansing ..... Lansing Dry Goods Co.  
 Port Huron ..... Carroll House

### NEW YORK

Troy ..... Stanley's  
 Utica ..... Boston Store

### OHIO

Akron ..... Federman's  
 Springfield ..... Boston Store

### PENNSYLVANIA

Muncy ..... Carroll House  
 Reading ..... Read's  
 Williamsport ..... Carroll House  
 York ..... Stillman's

### TENNESSEE

Knoxville ..... Knox Dry Goods Co.

### VIRGINIA

Staunton ..... Carroll House

### WEST VIRGINIA

Huntington ..... Huntington Dry Goods Co.

### WISCONSIN

Edgerton ..... Carroll House  
 Fond du Lac .. Fond du Lac Dry Goods Co.  
 Green Bay ..... Hill's  
 Hartford ..... Carroll House  
 Madison ..... Hill's  
 Milwaukee ..... Hill's  
 Racine ..... Racine Dry Goods Co.  
 Sheboygan ..... Sheboygan Dry Goods Co.  
 Stoughton ..... Carroll House  
 West Bend ..... Carroll House

*This report is solely for statistical information for stockholders, and is not a representation, prospectus or circular in respect of any stock of any corporation, and is not transmitted in connection with any sale or offer to sell or buy any stock or security now or hereafter to be issued, or with any preliminary negotiation for such sale.*





